

# **RUSSIA, IRAN AND THE NUCLEAR QUESTION: THE PUTIN RECORD**

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## FOREWORD

This monograph is another in the series of papers from the conference entitled “The U.S. and Russia: Regional Security Issues and Interests,” conducted sponsored jointly by the Strategic Studies Institute (SSI) of the U.S. Army War College; the Ellison Center for Russian, East European, and Central Asian Studies at the Jackson School of International Studies at the University of Washington; the Pacific Northwest National Laboratory’s Pacific Northwest Center for Global Studies; and Dr. Robert Freedman’s monograph analyzes the Russo-Iranian relationship through the spring of 2006. This issue, of course, is vitally important in U.S. foreign policy, not just as it relates to Iran and the overall issue of nonproliferation, especially in the Middle East, but also as U.S. foreign policy pertains to relations with Moscow.

Thus this monograph should also be read in light of the current crisis with Iran and bearing in mind the dimensions of Iranian proliferation and the issues surrounding it. At the same time, the numerous challenges to regional security in the Middle East, and the addition of great power rivalry to that list, further aggravate Middle East instability and make the search for peace that much more difficult. Consequently, the Russo-American dimension of the Iranian crisis adds to the complexity of the myriad issues and regional challenges to security, and the enduring difficulties in the Russo-American relationship.

Given the gravity of these issues, we are pleased to provide our readers with this well-informed and

expert analysis of some of the most urgent challenges to security in today's world.

  
DOUGLAS C. LOVELACE, JR.  
Director  
Strategic Studies Institute

## BIOGRAPHICAL SKETCH OF THE AUTHOR

ROBERT O. FREEDMAN is Peggy Meyerhoff Pearlstone Professor of Political Science at Baltimore Hebrew University and Visiting Professor of Political Science at Johns Hopkins University. A past president of the Association for Israel Studies, he has served as a commentator on National Public Radio, the BBC, and the Voice of America, and is a consultant to the U.S. State Department and the Central Intelligence Agency. He has also been a member of U.S. Government delegations that went to Moscow and Beijing for discussions with Russian and Chinese scholars and government officials on the Middle East, and led a U.S. mission to Uzbekistan to discuss the establishment of U.S.-Uzbek cultural relations. In 1989, Dr. Freedman was a member of a Brookings Institution delegation that went to Tunis for discussions with Palestinian leaders about the peace process. Following the September 11, 2001, terrorist attacks, he participated, as the American representative, in three conferences in Europe with European political leaders and scholars who dealt with the problem of improving U.S.-European cooperation in the Middle East. Dr. Freedman has lectured to the Israeli Defense Ministry and the Israeli Foreign Ministry, and recently appeared on the London-based Arab TV station, al-Mustakillah, where he discussed U.S. policy in the Middle East and the prospects for democratization in the Arab world with callers from Syria, Saudi Arabia, Morocco, Iraq, Jordan, and Tunisia. He also has held talks with Palestinian Authority Presidents Yasser Arafat and Mahmoud Abbas, Israeli Prime Ministers Yitzhak Rabin and Ariel Sharon, and Israeli Foreign Minister Tsippy Livny. Dr. Freedman

is the author of four books on Soviet foreign policy, including *Soviet Policy Toward the Middle East Since 1970* (3rd edition, Praeger Press, 1982), *Moscow and the Middle East: Soviet Policy Since the Invasion of Afganistan* (Cambridge University Press, 1991), and *Soviet-Israeli Relations Under Gorbachev* (Praeger, 1991). He is also the editor of 14 books on Israel and the Middle East, including *Israel in the Begin Era* (1982), *Israel Under Rabin* (1995), *The Middle East and the Peace Process* (1998), *Israel's First Fifty Years* (2000), and *The Middle East Enters the 21st Century* (2002).

## SUMMARY

Vladimir Putin inherited a strong Russian-Iranian relationship from his predecessor, Boris Yeltsin. Russia made major arms agreements with Iran under Yeltsin, selling Tehran jet planes, tanks, and submarines, and also began building a nuclear reactor for Iran at Bushehr. The two countries also cooperated on regional issues such as Tajikistan and Afghanistan, and Yeltsin valued the low Iranian profile during the first Chechen war (1994-96).

Putin strengthened the relationship further, beginning his rule by abrogating the Gore-Chenonymdin agreement under which Russia was to cease selling arms to Iran by 2000. While Putin and Iran were to have some problems over Chechnya and the optimal exit route for Caspian Sea oil and natural gas, these were overcome by 2005 when Iran emerged – despite its clandestine nuclear program – as Putin’s most important ally in the Middle East, as Russia sought to reemerge as a major power there. Moscow increasingly became Iran’s protector against the sanctions that first the United States and then the European Union sought to impose because of Iran’s violation of international agreements. Putin’s policy on Iran, however, contained some serious risks for Moscow, including a sharply deteriorating relationship with the United States and the possibility that newly-elected Iranian President Mahmud Ahmadinezhad, an Islamic fundamentalist, might one day challenge Russia over its policy in Chechnya.





# **RUSSIA, IRAN AND THE NUCLEAR QUESTION: THE PUTIN RECORD**

The construction of the Bushehr nuclear power station is nearing completion, and we are ready to continue collaboration with Iran in the sphere of nuclear power engineering, taking into consideration our international nonproliferation obligations, and to look for mutually acceptable political solutions in this area.

Vladimir Putin, in a message to the new  
Iranian President, Mahmud Ahmadinezhad<sup>1</sup>

## **INTRODUCTION**

Of all the nations of the Middle East, Russia's closest relationship is with the Islamic Republic of Iran. While Russia's sale of the Bushehr nuclear power station is central to Iranian-Russian relations, a number of other facets of the relationship are of almost equal importance. These include trade, which by 2005 reached the level of \$2 billion per year,<sup>2</sup> Russian arms sales to Iran which include jet fighters and submarines, and diplomatic cooperation in the Caucasus and Central Asia. Both countries also have sought to prevent U.S. hegemony in the world. While several areas of conflict in the relationship remain, the most important of which is the legal status of the Caspian Sea, by February 2005 when Moscow and Iran signed an agreement for the supply of Russian uranium to the Bushehr reactor, the two countries can be said to have reached the level of a tactical, if not yet a strategic alliance.

After assessing Putin's domestic and foreign policies and briefly reviewing Russian-Iranian relations in the Yeltsin era, this monograph will analyze Putin's policy toward Iran, especially in regard to the nuclear issue.

## PUTIN'S DOMESTIC AND FOREIGN POLICIES

One of the most striking aspects of the Putin presidency has been his ability to bring the quasi-independent players in Russian domestic and foreign policy of the Yeltsin era under much tighter centralized control. Putin has all but eliminated the political influence of oligarchs Boris Berezovsky, Vladimir Gusinsky, and Mikhail Khodorkovsky, and taken over their news media outlets. He has replaced Yevgeny Adamov, head of the Ministry of Atomic Energy (Minatom, now Rosatom), who had a habit of trying to make nuclear deals with Iran not approved of by the Kremlin, with Alexander Rumyantsev, who in November 2005 was, in turn, replaced by Sergei Kiriyenko.<sup>3</sup>

The powerful gas monopoly, GAZPROM, heavily involved in Turkey and Central Asia, had its director, Ram Vekhirev, replaced by Alexei Miller, while the Defense Ministry had its leader, Defense Minister Igor Sergeev, replaced by Secretary of the National Security Council Sergei Ivanov. Two other holdovers from the Yeltsin era also were removed: Russia's Prime Minister, Mikhail Khazyanov, has been replaced by Mikhail Fradkov, and Russia's Foreign Minister, Igor Ivanov, was replaced by Sergei Lavrov.

Putin also changed interior ministers, set up plenipotentiaries to oversee Russia's 89 regions, and consolidated Russia's arms sales agencies into Rosoboronoexport in an effort to gain greater control over a major source of foreign exchange. Putin has greatly emphasized improving Russia's economy, not only through the sale of arms, oil, and natural gas (the Russian economy has been blessed with high oil and natural gas prices during most of his years

in office) but also by selling high tech goods such as nuclear reactors and by expanding Russia's business ties abroad. Indeed, business interests have played an increasingly significant role in Putin's foreign policy.

The support Putin received from the Duma, especially from his Edinstvo (Unity) party—now the enlarged United Russia Party—has made his task easier, in contrast to the hostile relations Yeltsin had with the Duma from 1993 until his resignation as Russia's President in December 1999. Indeed, in the Duma elections of December 2003, Putin greatly increased his support, weakening both the communist and liberal parties which were his main opponents, and scored an overwhelming victory in the 2004 presidential elections.

Overall, Putin's central foreign policy aim has been to strengthen the Russian economy in the hope that, in the not too distant future, the country might regain its status as a great power. In the interim, he has sought to create an "arc of stability" on Russia's frontiers so that economic development can proceed as rapidly as possible. This was one of the reasons Putin embraced an improved relationship with Turkey and ended Russian opposition to the Baku-Ceyhan pipeline. In theory at least, Putin's goal would appear to require a policy of increased cooperation with the economically advanced West led by the United States.

At the same time, however, Putin is mindful of voices in the Duma—now represented most strongly by the Rodina (Motherland) party that had been created by the Kremlin to weaken the Russian Communist party—as well as in the security apparatus and the Russian foreign ministry unhappy at Moscow's appearing to play "second fiddle" to the United States after September 11, 2001 (9/11). He has from time-

to-time asserted an independent position for Russia, as Moscow's behavior during the recent war in Iraq and the more assertive Russian policy in 2005 and 2006 indicated. Indeed, increasingly Russian foreign policy looks like it is seeking to create the "multipolar world" advocated by former Russian Foreign Minister and Prime Minister Yevgeny Primakov, who is now a Putin adviser. As will be shown, the tension between these two alternative thrusts of Russian foreign policy, cooperating with the United States but also competing with it, clearly impacts the Russian-Iranian relationship.

This tension became increasingly evident following a series of reversals encountered by Putin in 2004. Following the replacement of Edvard Shevardnadze in December 2003 by the much more pro-Western Mikhail Saakashvili, Putin suffered an embarrassing failure in the Ukraine in November and December 2004. Following the mass demonstrations of the "Orange Revolution," pro-Western candidate Viktor Yushchenko defeated pro-Russian candidate Victor Yanukovich in a presidential reelection which Putin had opposed publicly. Making matters worse for Putin was the debacle at Beslan, Russia, in September 2004 when a Chechen rebel attack on a school led to the loss of more than 300 Russian lives following a bungled rescue mission. While Putin sought to capitalize on the incident by tightening control over Russia's governors (he would now appoint them) and political parties, as well as by blaming outside powers for wanting to dismantle Russia, the Beslan incident underlined Putin's major failure – his inability to bring the Chechen rebellion under control. Domestically, Putin also had problems in 2005. His efforts to transform "payments in kind" to cash payments stirred up opposition

from Russian pensioners, while his heavy-handed prosecution of oligarch Mikhail Khodorkovsky led to renewed capital flight from Russia and a chilling of the atmosphere for foreign investment.

As we shall see, these events which put Putin on the defensive and challenged the image he wanted of a strong leader of a strong state were to play a major role in his decision to proceed with the supply of nuclear fuel to the Bushehr reactor in February 2005, despite serious American objections.

## **RUSSIAN AND IRAN: THE YELTSIN LEGACY**

The rapid development of Russian-Iranian relations under Yeltsin had its origins in the latter part of the Gorbachev era. After alternately supporting first Iran and then Iraq during the Iran-Iraq war, by the end of the war Gorbachev clearly had tilted toward Iran.<sup>4</sup> The relationship between the two countries was solidified in June 1989 with Hashemi Rafsanjani's visit to Moscow, where a number of major agreements, including one on military cooperation, were signed. The military agreement permitted Iran to purchase highly sophisticated military aircraft from Moscow including MIG-29s and SU-24s. At a time when its own air force had been eroded badly by the 8-year-long Iran-Iraq war and by the U.S. refusal to supply spare parts, let alone new planes to replace losses in the F-14s and other aircraft which the United States had sold to the Shah's regime, the Soviet military equipment was needed badly.

Iran's military dependence on Moscow grew as a result of the 1990-91 Gulf War. Not only did the United States, which had now become Iran's primary enemy, become the dominant military power in

the Persian Gulf, with defensive agreements with a number of Gulf Cooperation Council (GCC) states (which included prepositioning arrangements for U.S. military equipment) but Saudi Arabia, Iran's most important Islamic challenger, also acquired massive amounts of U.S. weaponry. Given Iran's need for sophisticated arms, the pragmatic Iranian leader, Hashemi Rafsanjani, was careful not to alienate either the Soviet Union or Russia. Thus, when Azerbaidzhan declared its independence from the Soviet Union in November 1991, Iran, unlike Turkey, did not recognize its independence until after the Union of Soviet Socialist Republics (USSR) collapsed. Similarly, despite occasional rhetoric from Iranian officials, Rafsanjani ensured that Iran kept a relatively low profile in Azerbaidzhan and the newly independent states of Central Asia, emphasizing cultural and economic ties rather than Islam as the centerpiece of their relations. This was due in part to the fact that after more than 70 years of Soviet rule, Islam was in a weakened state in the countries of the former Soviet Union; the leaders of the Muslim successor states were all secular Muslims; and the chances for an Iranian-style Islamic revolution were very low. Indeed, some skeptics argued that Iran was simply waiting for mosques to be built and Islam to mature before trying to bring about Islamic revolutions. Nonetheless, the Russian leadership basically saw Iran as acting very responsibly in Central Asia and Transcaucasia, and this was one of the factors which encouraged it to continue supplying Iran with modern weaponry—including submarines—despite strong protests from the United States.

The Russian supply of weapons to Iran became an issue of increasing U.S. concern, and in 1995 U.S. Vice President Al Gore and Russian Prime Minister Viktor

Chernomydin signed an agreement under which Moscow would cease supplying Iran with weapons, once existing contracts were fulfilled in 1999.<sup>5</sup> At the same time, Yeltsin promised American President Bill Clinton that Russia, which had agreed to sell Iran an atomic reactor, would not build a nuclear centrifuge plant for Iran.

During Andrei Kozyrev's period as Russia's foreign minister (1991-95) Russian-Iranian relations developed rapidly. Russia was selling Iran not only arms, but also nuclear reactors and other industrial equipment. Yet economic gain was only one of Russia's many interests in Iran. As in the case of Russian-Iraqi relations, Yeltsin could use the close Russian-Iranian relationship to demonstrate to the nationalists in his Duma that he was independent of the United States.

Oil and natural gas development was a third major Russian interest in Iran. Again, despite U.S. objections, in 1997, GAZPROM – along with the French company, Total – signed a major agreement with Iran to develop the South Pars gas field. Finally, a greatly weakened Russia had found Iran a useful ally in dealing with a number of very sensitive Middle Eastern, Caucasian, Transcaucasian, and Central and Southwest Asian political hot spots. During the Yeltsin era, these included Chechnya, where Iran kept a very low profile in the first Chechen war despite the use of Islamic themes by the Chechen rebels in their conflict with Russia; Tajikistan, where Iran helped Russia achieve a political settlement, albeit a shaky one; Afghanistan, where both Russia and Iran stood together against Taliban efforts to seize control over the entire country; and Azerbaidzhan, which neither Iran, with a sizeable Azeri population of its own, nor Russia under Yeltsin wished to see emerge as a significant economic and



military power. In addition, as the North Atlantic Treaty Organization (NATO) expanded eastward, many Russian nationalists called for a closer Russian-Iranian relationship as a counterbalance, especially as Turkey was seen by some Russians as cooperating closely with its NATO allies in expanding its influence in both Transcaucasia and Central Asia.<sup>6</sup> Indeed, an article in the newspaper, *Segodnia*, in late May 1995 noted:

Cooperation with Iran is more than just a question of money and orders for the Russian atomic industry. Today a hostile Tehran could cause a great deal of unpleasantness for Russia in the North Caucasus and in Tajikistan if it were really to set its mind to supporting the Muslim insurgents with weapons, money, and volunteers. On the other hand, a friendly Iran could become an important strategic ally in the future.

NATO's expansion eastward is making Russia look around hurriedly for at least some kind of strategic allies. In this situation, the anti-Western and anti-American regime in Iran would be a natural and very important partner.<sup>7</sup>

These interests and policies already were in place when Yevgeny Primakov became Foreign Minister in January 1996, and he sought to further deepen the relationship. Nonetheless, he also had to cope with increasing frictions in Russian-Iranian relations. First, in December 1996, then Russian Defense Minister Igor Rodionov—while Primakov was in Tehran—described Iran as a possible military threat to Russia, given Russia's weakened position.<sup>8</sup> Second, because of Iran's economic problems, it did not have enough hard currency to pay for the weapons and industrial equipment it wanted to import from Russia. Indeed, despite predictions of several billions of dollars in

trade, Russian-Iranian trade was only \$415 million in 1996, less than Russia's trade with Israel.<sup>9</sup> Third, Russian supplies of missile technology to Iran caused increasing conflict with the United States (and Israel). Although Russia in late 1997 very publicly expelled an Iranian diplomat for trying to smuggle missile technology and in January 1998 promised to stop selling "dual use" equipment to Tehran, by 1999 the issue had become a serious irritant in Russian-American relations, with particularly sharp criticism of Moscow coming from the U.S. Congress.<sup>10</sup> Fourth, since 1995, Iran increasingly has thrust itself forward as an alternative export route for Central Asian oil and natural gas. This came into direct conflict with the efforts of the hardliners in the Russian government to control the oil and gas exports of Azerbaidzhan, Uzbekistan, Turkmenistan, and Kazakhstan, so as to limit their freedom as Yeltsin sought to dominate the states of the Commonwealth of Independent States (CIS). While Iran, which remained dependent on Russian exports of military equipment sought to defuse this problem by trying to organize tripartite projects with Russia and the Central Asian states, Iranian availability as an alternate export route was a concern for Moscow. This concern threatened to become even more severe if there were a rapprochement between the United States and Iran, which might lead to the termination of U.S. efforts to prevent foreign investments in Iran's oil and natural gas pipelines and well infrastructure.<sup>11</sup> Finally, the two countries disputed the division of the Caspian Sea. Iran, with little oil of its own in its Caspian coastal shelf, had opposed the Russian-Kazakh agreement of July 1998, which partially divided the Caspian Sea and continued to call for an equal sharing of the sea's resources, with Iran getting a 20 percent share, rather

than the 12-13 percent its length of coastline would have qualified it for.<sup>12</sup>

In addition, the May 1997 election of Mohammed Khatami as Iran's President gave rise to possible rapprochement with the United States, although it was aborted quickly. Following his election, Khatami began to promote a policy of domestic reform and liberalization along with a similar policy toward the Arab world and Europe. While conservative forces in Iran did not strongly oppose the rapprochements with the Arab world and Europe, as both were aimed at strengthening Iran's diplomatic position, they did take exception to Khatami's policy of domestic liberalization and to his efforts to approach the United States, which held out the possibility of lifting U.S. sanctions against Iran under the 1996 Iran-Libya Sanctions Act. Unfortunately for Khatami and the possibility of improved U.S.-Iranian relations, a conservative counterattack in the summer of 1998 forced an end to his efforts toward rapprochement with Washington.

Meanwhile, a successful Iranian missile test strengthened the position of those in the United States who called for the sanctioning of Russian companies which provided Iran with missile help. With the collapse of the Russian economy in August 1998, Russia's government was hard put to resist U.S. pressure and indeed promised it would do its utmost to prevent the transmission of missile technology to Iran. A further complication to the U.S.-Russian relationship came with what proved to be a temporary elevation of Primakov to the position of Russian Prime Minister in September 1998, following the economic crisis and the ouster of Prime Minister Sergei Kiriyenko. Primakov, and the communist forces in the Duma who supported him, wanted a tougher line toward the United States,

and their advocacy became more shrill following the U.S. bombing of Iraq in December 1998 and of Serbia in the spring of 1999.

At the same time, Yevgeny Adamov, then head of Russia's Atomic Energy Ministry, continued to press for the sale of additional nuclear reactors to Iran, something the United States strongly opposed. In November 1998, Adamov visited Tehran and, to spur the lagging Bushehr nuclear reactor construction project, signed an agreement which transformed Bushehr into a turnkey project in which Russian technicians, not Iranians, would build the project, whose target date for completion was set for May 2003.<sup>13</sup> However, Russian-Iranian relations then were complicated by the Kosovo crisis, where Iran championed the Albanian Kosovars and Russia the Serbs, and even more so by Russia's decision to invade Chechnya in August 1999, leading to the killing of numerous Muslim Chechens, something which Iran, which was now head of the Islamic Conference, had to protest, albeit mildly.

## **PUTIN AND IRAN**

### **Policy before 9/11.**

Chechnya was only one of the problems in Russian-Iranian relations facing Putin when he became Russia's President in January 2000 after Yeltsin abruptly stepped down. The second was the overwhelming victory of the moderates in Iran's *Majlis* (Parliamentary) elections in February 2000. This had to be a concern to Moscow because, for many of the reformers who were elected, an improvement in U.S.-Iranian relations (and the subsequent hoped-for improvement of the Iranian economy which would result once the

United States removed economic sanctions) was an important policy goal.<sup>14</sup> Yet the moderate Parliament found itself checkmated by the conservative forces in the government and by the Iranian supreme religious authority, Ayatollah Khomeini, who opposed their reform efforts, and Iranian President Khatami was not able to overcome them.<sup>15</sup> Indeed in a speech at the United Nations (UN) in September 2000, Khatami berated the United States for its condemnation of Iran for the arrest and conviction of a group of ten Iranian Jews as spies—a development which had further strained U.S.-Iranian relations. The Iranian President, who had met Russian President Putin the previous day, also stated that he hoped to forge a closer relationship with Russia:

We share a lot of interests with Russia. We both live in one of the most sensitive areas of the world. I believe the two countries can engage in a viable and strong relationship. Russia needs a powerful and stable Iran. A stronger relationship would allow both countries to marginalize external powers that are seeking destructive ends and which do not belong in the region.<sup>16</sup>

The Khatami statement seemed to put aside, at least in the short run, the possibilities of a U.S.-Iranian rapprochement. Together with Iran's low profile in the rapidly escalating Chechen war, it may have led Putin to abrogate unilaterally the Gore-Chernomyrdin agreement of June 30, 1995, under which Russia was to have ended all military sales to Tehran by December 31, 1999, once existing arms sales contracts had been completed. This decision risked U.S. sanctions, ranging from a ban on the use of Russian rockets for satellite launches to the discouragement of U.S. investments in Russia, to U.S. pressure on the International

Monetary Fund (IMF) not to reschedule Russian debts. While improving Russian-Iranian relations and clearly benefitting Rosoboronoexport, Putin's new consolidated arms sales agency, the decision to abrogate the Gore-Chenomyrdin agreement was clearly a blow to U.S.-Russian relations.<sup>17</sup> On the other hand, Putin's decision set the stage for Khatami's visit to Moscow in March 2001.

The Caspian Sea dispute, along with military cooperation, were high on the visit's agenda. Iranian ambassador to Moscow Mehdi Safari, in an apparent attempt to solicit support from Rosoboronoexport, dangled the prospect of \$7 billion in arms sales to Iran prior to the visit.<sup>18</sup> This followed an estimate of up to \$300 million in annual sales by Rosoboronoexport director Viktor Komardin.<sup>19</sup>

Meanwhile, U.S.-Russian relations had deteriorated sharply as the new Bush administration had called for the abrogation of the Anti-Ballistic Missile (ABM) Treaty and for the expansion of NATO into the Baltic states. Making matters worse, soon after taking office, the administration had angered Moscow by bombing Iraqi anti-aircraft installations and by expelling a number of alleged Russian spies. Given this background of deteriorating relations, one might have expected more to come out of the Putin-Khatami summit than actually happened. To be sure, Putin formally announced the resumption of arms sales, Khatami was awarded an honorary degree in philosophy from Moscow State University, and the Iranian President was invited to tour Moscow's contribution to the international space station. Former Russian Foreign Minister and Prime Minister Yevgeny Primakov waxed eloquent over the Khatami visit, calling it the biggest event in the history of relations between Tehran and Moscow.<sup>20</sup>

Yet the treaty which emerged from the meeting ("The Treaty on Foundations of Relations and Principles of Cooperation") merely stated that "if one of the sides will be exposed to an aggression of some state, the other side must not give any help to the aggressor."<sup>21</sup> This was far from a mutual defense treaty, and something that would allow Moscow to stand aside should the United States one day attack Iran. No specific mention was made of any military agreements during the summit, and Russian Deputy Defense Minister Alexander Lushkov, possibly in a gesture to the United States, stated, "The planned treaty will not make Russia and Iran strategic partners, but will further strengthen partnerlike, neighborly relations."<sup>22</sup>

As far as the Bushehr nuclear reactor issue was concerned, despite U.S. protests, Putin (who, as noted above, was anxious to sell Russian nuclear reactors abroad) and Khatami stated that Russia would finish work on the complex. Director of the Izhorskie Machine Works Yevgeny Sergeyev stated that the first reactor unit would be completed in early 2004, and, "as soon as the equipment for the first reactor leaves the factory, a contract for the second nuclear reactor will be signed."<sup>23</sup>

Following the Khatami visit to Moscow, the Caspian Sea issue again generated problems for Russian-Iranian relations. On July 23, 2001, Iranian gunboats with fighter escorts harassed a British Petroleum (BP) research ship, forcing BP to suspend its activities in the region, which was located within the sea boundary of Azerbaidzhan according to a Russian-Azeri agreement, but according to Tehran lay in the 20 percent share of the Caspian that it unilaterally claimed.<sup>24</sup> That Turkey subsequently sent combat aircraft to Baku (the arrangement to send the aircraft, however, predated the Caspian Sea incident)

complicated matters for Moscow, as the last thing Moscow wanted was for a conflict to arise between Turkey and Iran, both of which Putin was cultivating. (Moscow also did not and does not want any other military power to be able to act unilaterally in the Caspian, particularly if it threatened another member of the CIS.) Not only did this heighten tensions in the Caspian basin, it also undermined Russian pretensions to a sphere of influence whereby it alone acted as security manager there; Iran's threats gave Turkey and the United States a pretext for enhancing their strategic presence in the Caspian.

### **The Impact of 9/11.**

Putin's decision to draw closer to the United States after 9/11, particularly his acquiescence in the deployment of U.S. troops in Central Asia, was viewed very dimly by Tehran. Iranian radio noted on December 18, following the U.S. military victory in Afghanistan, "some political observers say that the aim of the U.S. diplomatic activities in the region is to carry out certain parts of U.S. foreign policy, so as to expand its sphere of influence in Central Asia and the Caucasus, and this is to lessen Russia's traditional influence in the region."<sup>25</sup>

A second problem in post-9/11 Russian-Iranian relations dealt with the Caspian Sea. When, again due to Iranian obstinacy, the April 2002 Caspian summit failed, Putin moved to assert Russian authority in the Caspian. This took three forms. First was a May 2002 agreement with Kazakhstan to develop jointly the oil fields lying in disputed waters between them; second, a major Russian naval exercise took place in the Caspian in early August 2002 with 60 ships and



10,000 troops and was witnessed by Russian defense minister Sergei Ivanov. The exercises took place on the 280th anniversary of Peter the Great's naval campaign in the Caspian, both Kazakhstan and Azerbaijan participated, and Putin called the purpose of the exercise "part of the war against terrorism."<sup>26</sup> Third, in September 2002 Putin and Azeri leader Gaidar Aliev signed an agreement dividing the seabed between them but holding the water in common.<sup>27</sup>

Iran, however, sought to demonstrate that it would not be cowed by the Russian military move, and in September 2003, while Iranian foreign ministry spokesman Hamid-Reza Asefi was stressing that the militarization of the Caspian Sea would never ensure the security of littoral states, Iran launched its "Paykan" missile boat into the Caspian "to protect the interests of the Iranian nation."<sup>28</sup>

### **Nuclear Issues Take Center Stage in the Relationship – 2002-05.**

Interestingly enough, while Russian-Iranian tension rose over the Caspian, Russian nuclear reactor sales and arms sales continued. In July 2002, just a few weeks before the major military exercises on the Caspian, Moscow announced that not only would it finish Bushehr (despite U.S. opposition), but also stated that it had begun discussions on the building of five additional reactors for Iran.<sup>29</sup> It remained unclear at the time, however, whether the spent fuel would be sent back to Russia so that it could not be made into nuclear weapons.

As Moscow stepped up its nuclear sales to Tehran, the United States sought to dissuade Russia through both a carrot-and-stick approach, threatening on the one

hand to withhold \$20 billion in aid for the dismantling of the old Soviet military arsenal, while also promising \$10 billion in additional aid for Moscow.<sup>30</sup> Meanwhile, support for the Chechens (who had seized a theater in Moscow in October 2002) by Iranian newspapers, including those close to Khomeini, raised questions in the minds of at least some Russians as to whether Moscow was backing the wrong side in the U.S.-Iranian dispute over the Iranian nuclear program.<sup>31</sup>

There appear to be four central reasons for Moscow's unwillingness to cooperate with Washington on the nuclear issue. First, the sale of the reactor earns hard currency for Russia, and Putin cannot be sure that, even if President Bush promised large sums of money to Russia, the U.S. Congress would allocate them in a time of escalating U.S. deficits. Second, once the first reactor begins operating, Iran has hinted repeatedly to Moscow that it will purchase a number of additional reactors. Third, the Bushehr reactor, and the factories in Russia which supply it, employ a large number of Russian engineers and technicians and thus help keep Russia's nuclear industry alive—something Putin hopes will help not only earn Russia much needed hard currency, but also help in the high tech development of the Russian economy. Fourth, by standing firm on Bushehr, Putin could demonstrate to domestic audiences Russia's independent policy vis-à-vis the United States, as both the Duma and presidential elections neared.

Yet such a policy held dangers for Moscow. First, as noted above, it served to alienate the United States, despite constant Russian protestations that the Bushehr reactor would only be used for peaceful purposes. Second, especially as revelations emerged about the extent of the Iranian nuclear program,

Moscow ran the danger that either the United States or Israel might attack the Bushehr reactor. The problem became especially serious for Russia in December 2002 when a series of satellite photographs revealed that, in addition to Bushehr, Iran was building two new nuclear facilities, one a centrifuge plant near the city of Natanz and the other a heavy water plant near the city of Arak.<sup>32</sup> Initially Russia downplayed the development, with Director of Minatom Alexander Rumantsev stating that the photos were not sufficient to determine the plants' nature, and, in any case, the Russians had nothing to do with the two plants. Other representatives of Minatom said Russia was ready to supply the long-awaited nuclear fuel to Tehran—but only if the Iranians guaranteed the return of the spent fuel to Moscow. Rumyantsev, however, said Russia was ready, without conditions, to supply nuclear fuel.<sup>33</sup>

By February 2003, however, Rumyantsev was hedging his position, noting “at this moment in time Iran did not have the capability to build nuclear weapons.”<sup>34</sup> By March 2003, with an UN International Atomic Energy Agency (IAEA) team visiting the two plants, Rumyantsev had changed his position further and asserted that Russia could not tell whether Iran was developing nuclear weapons secretly: “While Russia is helping Iran build its nuclear plant (at Bushehr), it is not being informed by Iran on all the other projects currently underway.”<sup>35</sup> Following its initial successes in the Iraq war, the United States stepped up its pressure on Russia to halt the Iranian nuclear weapons program. In response, Russian Foreign Minister Igor Ivanov noted in an Interfax interview at the end of May 2003 that Russia wanted all Iranian nuclear programs to be under the supervision of the IAEA.<sup>36</sup>

Then, following the Bush-Putin talks in St. Petersburg in early June 2003 when President Bush was at the height of his international influence following the fall of Baghdad, Putin asserted that the positions of Russia and the United States on Iran were closer than people thought. However, he added that “the pretext of an Iranian nuclear weapons program (could be used) as an instrument of unfair competition against Russian companies.”<sup>37</sup>

By early June 2003, it appeared that the United States was making two demands on Russia, vis-à-vis the Bushehr reactor. First, while the United States wanted Russia to end all support for Bushehr, at the minimum, it argued that Moscow should not supply any nuclear fuel to the Bushehr reactor unless Iran agreed to send all used fuel back to Moscow. Second, Moscow should also withhold the nuclear fuel until Iran signed an additional protocol with the IAEA permitting that agency unannounced visits to all Iranian nuclear facilities. On the latter issue, both the G-8 (of which Russia is a member) and the EU also pressured Iran. Indeed, the G-8 statement issued in early June noted: “We urge Iran to sign and implement the IAEA Additional Protocol without delay or conditions. We offer our strongest support to comprehensive IAEA examination of this country’s nuclear program.”<sup>38</sup>

The question, of course, was not only how far Iran would go to comply, but how far Russia would go to pressure Iran. In this, there appeared to be some initial confusion in Moscow. While British Prime Minister Tony Blair asserted that Moscow had agreed not to deliver nuclear fuel until Iran signed the IAEA protocol, Russian Foreign Ministry spokesman Alexander Yakovenko stated that Moscow would only freeze construction on the Bushehr plant if Iran refused to

agree to return all spent nuclear fuel to Russia, and that Iran was not required to sign the protocol because “the protocol is an agreement that is signed on a voluntary basis.”<sup>39</sup>

Meanwhile, perhaps to deflect some of the U.S. pressure, Minatom Minister Alexander Rumyanstev announced on June 3, 2003, that the Bushehr reactor would be completed in 2005, not 2004 as originally planned. While he blamed the delay on the need to replace the reactor’s original German parts, it could well be that this was an important gesture to the United States.<sup>40</sup> Then on September 12, 2003, the IAEA, of which Russia is a member, gave Tehran a deadline of October 31 to provide full information about its nuclear program to show that it was not building nuclear weapons secretly, and furthermore urged Iran to freeze its uranium enrichment program. While the tough wording of the message prompted the walkout of the Iranian delegation from the Vienna IAEA meeting, the question now became how Russia would react to the situation. Interestingly enough, at the time, Russian Deputy Foreign Minister Sergei Kislyak tried to soft pedal the IAEA report by saying Iran should not see the October 31 deadline as “an ultimatum.”<sup>41</sup> However, in September a dispute between Russia and Iran had broken out over who would pay for the return of the spent fuel from the reactor, with Iran demanding that Russia pay for it and Moscow refusing. Complicating matters further for Putin on the eve of his visit to the United States in late September, was the U.S. sanctioning of a Russian arms firm (The Tula Instrument Design Bureau) for selling laser-guided artillery shells to Iran.

Fortunately for Putin, President Bush’s position at the time of the summit was weaker than it had

been when the two leaders last met in June. Guerrilla warfare had erupted in Iraq, and the United States was beginning to have trouble dealing with it. Indeed, Washington had turned to other governments as well as to the UN in an effort to get additional troops, along with monetary aid, to rebuild Iraq. Together with the sputtering American economy, Iraq had become a major issue in U.S. politics, as Bush's standing in the U.S. polls had begun to drop. Consequently, while Bush raised the issue of Iran with Putin, the most he could extract from the Russian leader was the somewhat vague statement that "It is our conviction that we shall give a clear but respectful signal to Iran about the necessity to continue and expand its cooperation with the IAEA."<sup>42</sup> In addition, Bush proved unable to get Putin to agree to cease construction on the Bushehr reactor.

The ball, however, was taken out of Moscow's hands by the EU, which sent a delegation to Tehran in late October 2003. The delegation succeeded in extracting from Iran (which at the time may have still feared a U.S. attack), in return for a promise of high-tech cooperation, an agreement to stop enriching uranium temporarily and to sign the additional protocol, as well as to inform the IAEA of its past nuclear activities. Moscow hailed the Iranian action, and the head of the Iranian Security Council, Hassan Rowhani, came to Moscow on November 11 to announce formally that Tehran was temporarily suspending the enrichment of uranium and was sending that day a letter to the IAEA agreeing to the additional protocol.<sup>43</sup> Moscow exploited the visit, saying that Iran was now in full compliance with the IAEA, and Putin said that now Russia and Iran would continue their nuclear cooperation.<sup>44</sup> Indeed, Foreign Ministry spokesman Alexander Yakovenko, eyeing the possibility of the sale of additional reactors

to Tehran (something discussed during the Iranian delegation's visit), said Russia would now "do its utmost to expedite the completion of Bushehr."<sup>45</sup>

In part because of Russian (and EU) pressure, the Board of Governors of the IAEA in November 2003 decided not to refer Iran's nuclear program to the UN Security Council. Nonetheless, it did warn Iran against developing nuclear weapons and threatened to consider "all options available" if Iran continued to conceal information about its nuclear facilities.<sup>46</sup> The United States took a tougher stance with John Bolton, then Undersecretary of State for Arms Control and International Security, warning that the United States was ready to use all options against rogue states believed to be developing weapons of mass destruction. Bolton also voiced skepticism that Iran would abide by its commitments to the IAEA.<sup>47</sup>

Bolton's skepticism soon proved to be well-taken because, less than 2 months later, revelations about Pakistan's nuclear proliferation policies, including to Iran, led IAEA Chief Mohammed ElBaradei to warn about the collapse of the nonproliferation system. The United States then called for closing a loophole in the nuclear nonproliferation treaty to prevent countries, such as Iran, from acquiring materials for their national atomic energy programs that could be used to build nuclear weapons.<sup>48</sup> In addition, IAEA inspectors found that Iran had hidden (and not told the IAEA about), among other things, an advanced P-2 centrifuge system that could be used for enriching uranium, along with a program for producing polonium 210 which could be used as a neutron initiator for nuclear weapons.<sup>49</sup>

Meanwhile, as these revelations emerged, Moscow seemed confused on how to react. Minatom's Deputy Minister, Valery Govorukhin, played down ElBaradei's

warning of the possible collapse of the international nuclear non-proliferation system, and hailed Iran's cooperation with the IAEA.<sup>50</sup> By contrast, however, his superior Alexander Rumyantsev, supported ElBaradei, calling the situation "extremely unpleasant" and went so far as to say that Russia, along with other countries, was going to give "active consideration as to whether work on the establishment of national fuel cycles should be terminated in non-nuclear countries"<sup>51</sup>—something that would strike a serious blow against Iran's nuclear aspirations.

Consequently, the central factor in Russian-Iranian relations in 2004 was the question as to when Russia would complete the Bushehr nuclear reactor. While there was progress on coordinating electricity grids via Azerbaidzhan, trade increased to \$2 billion per year, and Tehran and Moscow negotiated on further arms and civilian plane sales, as well as on the Russian launch of an Iranian satellite,<sup>52</sup> Bushehr dominated the discourse as Iran increasingly clashed with IAEA. Even the division of the Caspian Sea, the other "hot button" issue in the Russian-Iranian relationship, seemed to be put on hold during this period, with Russian Foreign Minister Sergei Lavrov noting in October 2004 that the Caspian Sea littoral states had only agreed on parts of 8 of the 33 articles of the proposed Caspian Sea Legal Regime.<sup>53</sup>

Moscow's dilemma was basically two-fold. Throughout 2004, either the IAEA continued to find that Iran was hiding information about its nuclear activities, or Iran was reneging on agreements it already had made with the IAEA and/or the EU-3 (Germany, France, and England). This, in turn, brought heavy U.S. pressure on Russia to hold off supplying nuclear fuel to the Bushehr reactor project, lest Iranian efforts



to develop a nuclear bomb be enhanced. Increasingly, as 2004 wore on, the Russian leaders appeared to be at least somewhat persuaded by the U.S. argument and their criticism of Tehran mounted.

In April Iran informed the IAEA that it intended to begin testing at its uranium conversion facility of Isfahan, after which it began to convert small amounts of natural uranium into uranium hexafluoride, the feed material used in centrifuges—an action that was a clear violation of the agreement signed with the EU-3 in October 2003.<sup>54</sup> Despite being criticized for this at the IAEA June 2004 Board of Governors meeting, Iran then notified the IAEA that it intended to resume manufacture of centrifuge components as well as to test and assemble centrifuges. This led the IAEA in September to threaten to refer Iran to the UN Security Council if Tehran did not restore full suspension of its enrichment programs, as well as grant IAEA inspectors access to Iranian nuclear facilities, and explain to the IAEA the extent and nature of Iran's uranium enrichment processing, specifically the role of P-2 centrifuges. What happened next was almost a repeat of the events in the Fall of 2003 when the IAEA urged Iran to freeze its enrichment program and allow IAEA inspections, and the EU-3 followed up with negotiations that led to an apparent agreement with Tehran to promise to stop enriching uranium temporarily in return for a promise of trade cooperation. Thus on November 15, 2004, a preliminary agreement was reached to this effect, only to have Iran attempt to back off from it by asserting its right to keep 20 centrifuges for research.

At the end of November, however, Iran dropped this demand and signed an agreement with the EU-3 to suspend all enrichment related and reprocessing

activities “on a voluntary basis,” which included 1) the manufacture and import of gas centrifuges and their components; 2) the assembly, installation, testing, or operation of gas centrifuges; and 3) undertaking any plutonium separation, or the construction or operation of any plutonium separation installation, as well as all tests or production at any conversion installation. According to the agreement, Iran’s suspension “will be sustained while negotiations (with the EU-3) proceed on a mutually acceptable agreement on long-term arrangements.” In return, the EU set up working groups with Iran on 1) political and security issues; 2) technology and cooperation; and 3) nuclear issues, with all working groups to report by March 15, 2005. The goal of the EU-3 was to have Iran permanently suspend its enrichment activities and end its nuclear fuel cycle program, and the EU was prepared to offer Iran guarantees of fuel supply and management for Iran’s nuclear power program and also to help Iran acquire a light-water research reactor if Iran cancelled its plans to build a heavy-water research reactor.<sup>55</sup> Almost immediately, however, Iran seemed to back off from the agreement, with Hassan Rowhani, Iran’s chief negotiator, saying at a news conference, “The length of the suspension will only be for the length of the negotiations with the Europeans and . . . must be rational and not too long. We’re talking about months, not years.”<sup>56</sup>

As these events unfolded, Russia was presented with a dilemma. On the one hand, as in 2003, the EU-3 deflected pressure from Russia and helped prevent not only a referral of Iran’s nuclear program to the UN Security Council, but also possible U.S. and/or Israeli military action against Iran’s nuclear installations. Indeed, Moscow could only welcome United Kingdom

(UK) Foreign Minister Jack Straw's comments that force should not be used against Iran under any circumstances.<sup>57</sup> On the other hand, Moscow faced the possibility that, despite Iran's constant backsliding, the EU-3 Iran agreement of November 30, 2004, might actually take hold and, if so, the EU states could become competitors in Iran's nuclear market.<sup>58</sup>

In any case, what was clear was that, as Iran throughout 2004 was seeking to wiggle out of its commitments to the IAEA and EU-3, Moscow appeared to take an increasingly tough tone with Tehran on nuclear issues. Thus Putin, in June 2004, threatened that "Russia will halt its work at Bushehr if Iran refuses to behave in an open manner and fails to comply with the IAEA's demands."<sup>59</sup> Similarly, when meeting with French leader Jacques Chirac and German leader Gerhard Schroeder in September, Putin stated Russia's opposition to an "expansion of the club of nuclear powers, notably through the addition of Iran."<sup>60</sup> Then, in commenting on the tough September IAEA resolution, Rumyantsev stated, "It is balanced and serves the interests of all parties."<sup>61</sup>

While Russia proved supportive of the EU-3 negotiations with Iran, it reportedly opposed Iranian efforts to get the 20 centrifuges excluded from the agreement, something that was reported negatively by the Iranian news agency, Mehr.<sup>62</sup> Putin himself, as the final negotiations with the EU-3 wound down, made a not-so-veiled warning to Iran, stating "We are engaged in bilateral negotiations with Iran. We are helping it use nuclear power for peaceful purposes. If final agreements are achieved, we will continue this cooperation."<sup>63</sup> Then, when the agreement was reached at the end of November and the subsequent IAEA report took a relatively tough stand against Iran,

Deputy Foreign Minister Sergei Kislyak told Interfax that not only did Russia praise the IAEA resolution as “well balanced,” but “we also temporarily welcome Iran’s decision to freeze all uranium enrichment programs. This is a voluntary, trust building measure. We hope this decision will be reliably fulfilled.”<sup>64</sup> The Russian Foreign Ministry, in a statement issued after the IAEA resolution, reinforced Kislyak’s words, noting: “a full and sustained fulfillment of this voluntary undertaking, with due monitoring on the part of the IAEA essential for the settlement of remaining issues regarding Iran’s nuclear program.”<sup>65</sup>

### **Moscow’s Changed Position – 2005-06.**

Moscow’s sharp rhetoric vis-à-vis Tehran began to fade in 2005. As mentioned above, in the latter part of 2004, Putin had suffered a number of embarrassing failures, both internally and externally. The debacle in Beslan demonstrated just how far Putin was from “normalizing” the situation in Chechnya, and the pro-Western “Orange Revolution” in the Ukraine, apparently indicating the defection of Russia’s most important CIS neighbor, underscored the weaknesses of Russian foreign policy. Consequently, Putin seems to have decided that he had to demonstrate both his own, and Russia’s, continuing importance in world affairs; asserting Russia’s role in the Middle East and reinforcing his alliance with Iran were ways to do this.<sup>66</sup> In the case of Iran, the process included inviting Iran to join the Shanghai Cooperation Organization as an observer, and also inviting it to join the planned Caspian Sea security organization. (Iran, under heavy pressure both from the United States and the European Union eagerly accepted both invitations.) The two

countries also stepped up their planning for a North-South transportation corridor through Azerbaidzhan. In addition, Moscow launched a satellite for Iran and discussed the possibility of the sale of submarine-launched missiles with a range of 200 kilometers to be fitted on the submarines Russia had sold to Iran.<sup>67</sup> Should the sale go through, it would complicate greatly the activities of the U.S. fleet in the Persian Gulf and the Indian Ocean, and be a major blow to U.S.-Russian relations.

While all these developments demonstrated a reinforced Russian-Iranian tie, the nuclear issue continued to occupy first place in the relationship. In early 2005, however, Iran increasingly was becoming critical of the delay in Russia's completion of the reactor. Indeed, a *Keyhan* commentary by Mehdi Mohammadi in early January 2005 asserted that "the breaches of promise, subterfuge, and mischief-making of the Russians in the field of peaceful nuclear cooperation with the Islamic Republic of Iran is now a repeated saga."<sup>68</sup> Whether or not the Iranian criticism was an important factor in Putin's decisionmaking is not yet known. However, Putin did realize that to cement the relationship with Iran (which he saw as a foreign policy priority for reasons mentioned above) he had to finalize the nuclear fuel agreement. Consequently, in late February 2005, Russia signed the final agreement for the supply of nuclear fuel to the Bushehr reactor.<sup>69</sup> Under the agreement, all spent fuel was to be returned to Russia, thus, in theory at least, preventing its diversion into atomic weapons. The agreement came after a Bush-Putin summit in which the United States and Russia pledged to work together against nuclear proliferation,<sup>70</sup> and, as might be expected, the United States took a dim view of the

Russian-Iranian agreement. Perhaps emboldened by the agreement with Russia, Iran's then chief nuclear negotiator, Hassan Rowhani, warned that Iran would never cease enriching uranium permanently, and if the United States sought sanctions at the UN Security Council, "The security and stability of the region would become a problem." Rowhani also stated that Iran was not happy with the pace of negotiations with the EU-3, and threatened to end them if there was no progress.<sup>71</sup>

Meanwhile, as the United States increasingly became bogged down in Iraq, it appeared to back off somewhat from its confrontation with Iran over the nuclear issue. Thus in mid-March 2005, the United States agreed to join the EU in offering economic incentives to Iran if it gave up its nuclear program.<sup>72</sup> At the same time, however, an Iranian presidential campaign was underway. While both the United States and the EU-3 hoped that the victor would be former Iranian President Hashemi Rafsanjani, whom they felt they could make a deal with, to their surprise an Islamic hard-liner, Mahmud Ahmadinezhad, the Mayor of Tehran, was elected president. Consequently when the EU-3 presented its proposal to Ahmadinezhad's government on August 5, 2005, it was contemptuously rejected as a "joke."<sup>73</sup> The proposal called for a long-term EU-Iranian relationship which combined security and economic incentives, including giving Iran access to international technologies for light-water reactors, in return for Iran agreeing not to withdraw from the nuclear nonproliferation treaty and keeping all Iranian nuclear facilities under IAEA safeguards.<sup>74</sup> The Iranian rejection may have been encouraged by a leaked U.S. intelligence report in the *Washington Post* on August 2, 2005, which asserted that Iran was 10 years away from acquiring a nuclear weapon.<sup>75</sup> The Iranians

may well have seen the leak as an effort by the Bush administration to deflect public pressure to take action against Iran by demonstrating that Iran would not have the bomb for a decade. In any case, an emboldened Iran, led by its hard-line president who appeared to have the support of Iran's supreme religious leader, the Ayatollah Khamenei, not only rejected the EU proposal but also announced it was resuming work at the uranium conversion plant at Isfahan, where it would transform uranium into nuclear fuel.<sup>76</sup> An angered EU-3 then cancelled further talks with Iran, and the issue was referred to the IAEA.<sup>77</sup>

As these events were transpiring, Russia sought to defuse the crisis, with the Russian Foreign Ministry issuing a statement on August 9 which asserted that "it would be a wise decision on the part of Iran to stop enriching uranium and renew cooperation with the IAEA."<sup>78</sup> Iran did not heed the Russian request, however, and international pressure on Iran grew at the end of August, with French President Jacques Chirac warning that Iran would face censure by the UN Security Council if it did not reinstate a freeze on sensitive nuclear activities.<sup>79</sup> Russia, however, was now in a protective mode vis-à-vis Iran and chose not to go beyond its verbal call for Iran to stop enriching uranium. Thus on September 5, 2005, the Russian Foreign Ministry stated it was opposed to reporting Iran to the UN Security Council.<sup>80</sup>

However, Russia was discomfited by the speech Ahmadinezhad gave at the UN in mid-September. Instead of diplomatically trying to assuage the opponents of Iran's nuclear program, he delivered a fiery attack on the United States and Israel, going so far as to claim that the United States was poisoning its own troops in Iraq, while at the same time asserting

that Iran would never give up its plans to enrich uranium.<sup>81</sup> This speech placed Iran on the defensive as the members of the IAEA met in late September to decide what to do about its nuclear program. At the beginning of the meeting, Russia again asserted its opposition to referring Iran's nuclear program to the UN Security Council, with the Russian Foreign Ministry issuing a statement that it considered proposals that Iran's nuclear programs be referred to the council to be "counterproductive and nonconducive to the search for a solution to the problem by political and diplomatic methods."<sup>82</sup> Nonetheless, following a heated debate, Russia (along with 11 other countries) chose to abstain on an IAEA resolution, which passed 22-1 that found that Iran's "failures and breaches . . . constitute noncompliance with Iran's agreement to let the international body verify that its nuclear program is purely peaceful." The resolution went on to state that the "absence of confidence that Iran's nuclear program is exclusively for peaceful purposes has given rise to questions that are within the competence of the Security Council." The resolution further called on Iran to resuspend conversion of uranium at its Isfahan plant and asked Tehran to return to negotiations with the EU-3.<sup>83</sup>

Russian behavior at the IAEA meeting illustrated Moscow's ongoing dilemma in dealing with Iran. While Moscow did not want Iran to acquire nuclear weapons, it also did not want sanctions brought against one of its closest allies, who was also a very good customer, buying not only the Bushehr nuclear reactor (and possibly more in the future), but military equipment as well. Consequently, since the IAEA resolution did not call for sanctions explicitly, Moscow could perhaps claim a victory, while at the same time



it did not alienate the EU-3, with which it was seeking increased economic and political cooperation, or the United States. Nonetheless, by this time the United States was again seeking action against Iran, and U.S. Secretary of State Condoleezza Rice traveled to Russia in mid-October 2005 to try to gain Russian support for sanctions. However, Russian Foreign Minister Sergei Lavrov stated that Russia wanted to pursue negotiations in the IAEA rather than go to the UN Security Council, noting "We think that the current situation permits us to develop this issue and do everything possible within the means of this organization [the IAEA] without referring this issue to other organizations, so far."<sup>84</sup> Putin echoed Lavrov's position in a telephone call to Ahmadinezhad in which he reportedly stated:

The need was stressed for decisions on all relevant issues to be made using political methods within the legal framework of the IAEA. In connection to this, the Russian President advocated the further development of Iran's cooperation with the IAEA, including with the aim of renewing the negotiations process.<sup>85</sup>

With these statements, Russia had come down strongly on the side of Iran in its conflict with the EU-3 and the United States; because without the threat of sanctions, there would be little incentive for Iran to change its policy. Nonetheless, Iran was to prove a difficult ally for Russia. With Russian Foreign Minister Lavrov on a visit to Israel as part of his post-Israeli Gaza disengagement trip to the Middle East, Ahmadinezhad, in a speech to Iranian students on October 26 at a program called "A world without Zionism," stated not only that Israel "must be wiped off the map," but also that any country which recognizes Israel (presumably including Russia) "will burn in the fire of the Islamic nation's fury."<sup>86</sup>

A discomfitted Lavrov stated: "What I saw on CNN is unacceptable. We will convey our standpoint to the Iranian side. We're inviting the Iranian ambassador to the Ministry of Foreign Affairs and will ask him to explain the motives behind this kind of statement." He also noted that these kinds of statements "do not facilitate the efforts of those who want to normalize the situation surrounding Iran."<sup>87</sup>

Two days later, however, while in Jordan, Lavrov changed his tone, stating "our position on Iran remains unchanged. We favor cooperation through the IAEA in dealing with problems related to the Iranian nuclear program."<sup>88</sup>

In the period between the two IAEA conferences, the Iranian record of compliance with IAEA directives was mixed. On the one hand, Iran, in addition to offering to resume negotiations with the EU-3, made a gesture to the IAEA by giving it access to a building at Parchin that the IAEA inspectors had wanted to enter. In addition, the IAEA was allowed to interview Iranian specialists, and Iran also handed over additional documents to the IAEA.<sup>89</sup> However, in one of the documents it was revealed that rogue Pakistani nuclear scientist, Abdul Khan, had provided Iran technical data to enable it to cast "enriched, natural, and depleted uranium metal into hemispheric forms" that would help Iran fit a nuclear warhead onto its missiles. In commenting on this development, former nuclear inspector David Albright said the design is "part of what you need . . . to build a nuclear weapon. Although it's not a 'smoking gun' proving Iran was developing nuclear weapons, the find cast doubts on previous Iranian assertions that it had no documents on making such arms."<sup>90</sup>

Tehran's decision to reprocess another batch of uranium at its Isfahan nuclear facility further

complicated Iran's position as the IAEA meeting neared. This brought a negative reaction from the French Foreign Ministry whose spokesman stated: "We consider that this is a decision which does not go in the right direction. It does not contribute to creating a climate of confidence between Iran and the international community."<sup>91</sup> The Iranian Parliament then escalated the tension by voting 183 to 14 to stop IAEA inspection of its nuclear facilities if Iran were referred to the UN Security Council by the IAEA.<sup>92</sup>

As this situation developed, Moscow continued to oppose referring Iran to the UN Security Council, although holding out the possibility it could happen. Three days before the start of the IAEA meeting, Russian Foreign Minister Sergei Lavrov stated, "I do not rule out the possibility that the Iranian question might be sent to the Security Council if a real threat of the proliferation of weapons of mass destruction above all nuclear weapons arises. At the moment we do not see such a threat."<sup>93</sup> Moscow also sought to defuse the crisis by working out a proposal with the EU-3 which would enable Iran to convert uranium domestically into uranium hexafluoride gas that is the precursor to making enriched uranium. The enrichment itself, however, would be done in Russia.<sup>94</sup> While the compromise defused the situation so that the November 24 IAEA meeting did not refer Iran to the UN Security Council, how long Iran would enjoy its respite was an open question. First, at the time of the IAEA meeting Iran not only did not accept the EU-3-Russia compromise agreement, but many Iranian officials continued to demand the right to develop a full fuel cycle.<sup>95</sup> Second, members of the EU warned Iran that its time was not unlimited to accept the compromise as Peter Jenkins, Britain's IAEA delegate

stated, “Iran should not conclude that this window of opportunity will remain open in all circumstances. It won’t be open for a great deal longer.”<sup>96</sup> Finally, in his report to the IAEA, Director General Mohamed ElBaradei, who had just been awarded a Nobel prize, urged Iran:

To respond positively and without delay to the Agency’s remaining questions related to uranium enrichment, and to the additional transparency measures we have requested. As I have stated before, these transparency measures are indispensable for the Agency to be able to clarify remaining outstanding issues—in particular, the scope and chronology of Iran’s centrifuge enrichment programs. Clarification of these issues is overdue after three years of intensive verification efforts.<sup>97</sup>

Following the IAEA meeting, Russia moved much closer to Iran by signing a \$1 billion arms deal with it, which included \$700 million for surface-to-air missiles that could be deployed to protect Iran’s nuclear installations.<sup>98</sup> Such an air defense system, once installed, seriously could inhibit a possible U.S. or Israeli attack. By moving to help Iran to protect its nuclear installations, Moscow sent a clear signal that it would stand by Iran, whatever its nuclear policies.

Iran prepared for renewed talks with the EU-3 in the aftermath of the Russian arms deal, which clearly strengthened Iran’s position and, as noted above, appeared to reinforce the Russian commitment to Iran. Prior to the meeting, however, Ahmadinezhad once again made a highly provocative statement, especially for the Europeans, by asserting that the Holocaust was a “myth.” Not only the Europeans, but also Moscow repudiated the Ahmadinezhad statement.<sup>99</sup> To what degree the Iranian President’s comments on the Holocaust negatively influenced Iran’s negotiations

with the EU-3 is an open question. However, clearly Iran's announcement that it would enrich additional uranium in mid-January 2006 effectively ended the talks, and the EU-3, drawing increasingly close to the United States, called on the Security Council to take action against Iran.<sup>100</sup>

As tensions between Iran and NATO rose, the IAEA met in early February 2006, and, noting Iran's unwillingness to provide inspectors with the necessary information about its nuclear program, voted 27-3 (with 5 abstentions) to refer Iran to the UN Security Council in March if Tehran failed to "restore the international community's confidence in its nuclear program."<sup>101</sup> While Russia voted for the resolution, the additional month before referral to the Security Council was aimed at giving Moscow time to win Iran over to its plan to enrich Iranian uranium in Russia. Meanwhile, Putin, seeking to build-up Russia's technological base, and perhaps also to persuade Iran that it was not being singled out for special treatment by the Russian proposal, announced a program to make Russia a world center for uranium enrichment.<sup>102</sup>

While Russia was seeking to entice Iran to agree to its nuclear enrichment plan, Iran was taking a hard line. In response to the IAEA decision to refer Tehran to the UN Security Council, Iranian President Ahmadinezhad ordered industrial level nuclear enrichment, halted surprise visits by the IAEA to its nuclear installations, and ordered the IAEA to remove seals and surveillance equipment on some of the Iranian nuclear facilities.<sup>103</sup>

In this chilly atmosphere, Russian-Iranian talks began in mid-February. Putin himself noted on February 22nd that "the talks are not going easily"<sup>104</sup> but expressed optimism that they would be successful. Unfortunately, Putin's optimism proved unfounded as the talks collapsed in early March, primarily because

Iran continued to demand the right to enrich uranium domestically.<sup>105</sup> The failure of the talks placed Iran in further diplomatic isolation, and, perhaps for this reason, Iran tried once again to negotiate with the EU-3. Those negotiations, however, like the previous ones, failed, again because Iran refused to stop enriching uranium.<sup>106</sup>

Under these circumstances, it appeared that following the March meeting the UN Security Council would take up Iran's nuclear program. While ElBaradei's report to the IAEA did not state conclusively that Iran was pursuing a nuclear weapons program, he did state:

Regrettably, however, after three years of intensive verification, there remain uncertainties with regard to both the scope and the nature of Iran's nuclear program. . . . For confidence to be built in the peaceful nature of Iran's program, Iran should do its utmost to provide maximum transparency and build confidence.<sup>107</sup>

As the time for UN Security Council deliberations on Iran neared, Russian Foreign Minister Lavrov floated the idea of letting Iran do a limited amount of nuclear enrichment domestically, while the bulk of the enrichment would be done in Russia. While this idea appeared to have the endorsement of IAEA Chief ElBaradei, U.S. opposition killed it.<sup>108</sup>

As the issue began to be discussed in the UN Security Council, Iran, seeing itself in deepening international isolation, tried yet another ploy. This was to offer to engage the United States in talks on the rapidly deteriorating security situation in Iraq.<sup>109</sup> It is possible that, by demonstrating flexibility in this area, Iran hoped it could delay action against it in the Security Council and give Russia diplomatic ammunition to use to postpone any sanctions.

Meanwhile, Russia reverted to its traditional policy of being willing to criticize Iran publicly for its actions, but also being unwilling to support serious action against Tehran. Thus on the eve of the UN Security Council debate, Lavrov was sharply critical of Iranian behavior during its talks with Russia: "We are extremely disappointed with Tehran's conduct during these talks. Iran is absolutely failing to help those [parties] who are seeking peaceful ways to resolve this problem. Contradictory signals are coming from Tehran. One day they reject it, the next day they don't."<sup>110</sup>

Despite the criticism, Russia took a strong stand against the possible imposition of sanctions against Iran during the Security Council talks. The end result was a non-binding resolution which, while frequently expressing "serious concern" about Iran's actions (such as its resumption of nuclear enrichment and its failure to provide the IAEA with requested information) and calling for Iran to suspend all nuclear enrichment activities, did not contain any threats of sanctions and only asked for ElBaradei to report back on Iranian compliance in 30 days.<sup>111</sup> Indeed, in a follow-up meeting in Berlin, Lavrov reiterated the Russian position, stating that sanctions could not be used "to solve" the Iranian nuclear dispute and asserting that the IAEA had yet to provide "decisive evidence" that Iran was developing a nuclear weapons program.<sup>112</sup>

So matters stood until the surprise announcement by Ahmadinezhad, on the eve of a visit by ElBaradei to Iran to ascertain Iran's compliance with the Security Council resolution, that Iran had succeeded in enriching uranium, and "joined the club of nuclear countries" by putting into successful operation a cascade of 164 centrifuges.<sup>113</sup> While this number was too small to provide sufficient enriched uranium for a

nuclear weapon, Iran's Atomic Energy Organization's Deputy Director, Mohamed Saeedi, said that within a year the number of centrifuges in operation would be 3,000—(in the opinion of most observers, enough for a nuclear weapon, if the centrifuges were managed competently)—and in the future Iran would bring 54,000 centrifuges on line.<sup>114</sup> Iran also contemptuously rejected ElBaradei's call for Iran to stop its enrichment efforts, with Ahmadinezhad asserting that Iran would not retreat "one iota" on nuclear enrichment, and Iran's chief nuclear negotiator, Ali Larijani, asserting that the UN Security Council proposals were "not very important ones."<sup>115</sup> Then, as if to make the situation even more tense, Iran announced it was testing the sophisticated P-2 centrifuge.<sup>116</sup> If successful, the use of P-2 centrifuges would enhance Iran's enrichment capability significantly.

These developments once again put pressure on Russia to react. A number of Russian officials, such as Russia's Atomic Energy head Sergei Kiriyenko, downplayed Iran's ability to create a nuclear bomb,<sup>117</sup> and the Russian Foreign Minister Lavrov called Iran's announcement "a step in the wrong direction."<sup>118</sup> Moscow continued to promote a diplomatic solution and oppose sanctions, with Lavrov asserting, "We are convinced that neither sanctions nor the use of force will lead to a solution of this problem."<sup>119</sup>

U.S. patience with Russian policy on Iran, however, now appeared to be running out. U.S. Deputy Secretary of State Nicholas Burns on April 21 called for Russia to stop providing weapons to Iran and to end assistance to the Bushehr nuclear project. These demands were rejected immediately by Russian officials who stated the projects would go on unless the UN Security Council imposed sanctions—an unlikely possibility given Russian opposition to sanctions.<sup>120</sup>



When the IAEA report came out on April 28, 2006, it was highly critical of Iran. The report made five central points.

1. During the 30-day period after the UN Security Council asked Iran to suspend enrichment, Iran built a cascade of 164 centrifuges with an enrichment capability of 3.6 percent.
2. Iran was building two additional cascades of 164 centrifuges each.
3. Iran refused to provide documents about the nuclear black market run by A. Q. Khan as they related to centrifuges and the building of the core of a nuclear weapon.
4. Iran refused to answer questions about the experiments it was doing with small amounts of plutonium.
5. Iran refused to explain the research it was doing on P-2 centrifuges.

The IAEA report concluded that, because of these gaps in information “including the role of the military in Iran’s nuclear program, the agency is unable to make progress in its efforts to provide assurance about the absence of undeclared nuclear material and activities in Iran.”<sup>121</sup>

Following the report, the United States and its European allies pushed for sanctions against Iran. And, as in the past, while calling for Iran to provide the necessary information to the IAEA, Russia continued to resist sanctions while also opposing any kind of military action against Iran. Russia’s new UN representative Vitaly Churkin made this point clearly following a debate on policy toward Iran at the UN Security Council several days after the IAEA report.

He stated, “We are convinced that there is no military solution to the problem. However, complicated and difficult it may be, a political and diplomatic solution to this problem needs to be sought.”<sup>122</sup> Meanwhile, in an effort to persuade Russia not to support the sanctions resolution, Iran dangled a major economic incentive – the chance to be the preferred bidder on two additional nuclear reactors,<sup>123</sup> a development that would not only earn Russia valuable hard currency, but would also fit nicely into Putin’s high-tech economic program. In any case, the IAEA report of April 28, 2006, and the Russian reaction to it, provide a useful point of departure for drawing some conclusions about Russian policy toward Iran’s nuclear program under Putin.

## CONCLUSIONS

One central conclusion can be drawn from this study of Putin’s policy *vis-à-vis* Iran’s nuclear program. It is that Moscow, through most of Putin’s presidency, has been badly torn between its desire to maintain good relations with Iran, on the one hand Russia’s diplomatic ally in many sensitive areas of Eurasia and a major purchaser of Russian arms (a \$1 billion arms deal was signed just after the November 2005 IAEA meeting) and nuclear equipment. On the other hand, Russia is feeling increasing pressure from the international community, especially the EU and the United States to prevent Iran from acquiring nuclear weapons. Moscow has been on the horns of a dilemma on the Iranian nuclear issue because it does not want to alienate Iran, but neither does it want to alienate the EU or the United States, nor does it wish Iran to acquire nuclear weapons as Russian President Putin has said on numerous occasions. For this reason,

Russia, until February 2005, sought to chart a middle course between Iran and the West seeking to minimize the damage to its relations with Iran, while at the same time seeking to respond to pressure from the United States and EU.

The pressure on Russia came in two forms. First, although the United States in particular was unhappy with Russia's decision to construct a nuclear reactor for Iran at Bushehr, at the minimum it called for the repatriation of the reactor's spent fuel to Russia, so that it could not be diverted into nuclear weapons. Russia complied with this request—despite Iranian opposition—and an agreement to this effect was signed in February 2005. It should also be noted that completion of the reactor was delayed repeatedly, although to what degree this was due to “technical difficulties” or to Russian pressure on Iran to sign the fuel repatriation agreement is not yet known. Even though the agreement has been signed—in the face of U.S. protests—it will be important to monitor closely how both Russia and Iran adhere to it given that the reactor is now due to become operational in late 2007, and that Putin clearly has drawn closer to Iran since February 2005 to compensate for his losses in Georgia, Ukraine, and Beslan.

A second area of pressure from the EU and the United States has related to Iranian efforts to hide parts of its nuclear program, something that became evident in December 2002. In the face of U.S. calls to impose UN sanctions on Iran, Russia joined with the EU to get Iranian acceptance of the additional protocol to the nuclear nonproliferation treaty which allows the IAEA to make unannounced inspection visits to Iranian nuclear installations.

Nonetheless, as negotiations between the EU-3 and Iran faltered in 2005 over a comprehensive agreement

to give Iran economic and security benefits in return for abandoning its plans for a full nuclear cycle, there were new revelations about Iran hiding parts of its nuclear program, and calls were renewed for UN sanctions against Iran. Two new developments that had coalesced by the Fall of 2005 complicated matters for Moscow and exacerbated its problem of choice. The first was a marked increase in the level of cooperation between the EU-3 and the United States over Iran, along with the electoral defeat of German Prime Minister Gerhard Schroeder who had opposed U.S. policy on Iran. Thus Moscow, for the first time, had to deal with a U.S.-EU alignment on Iran. The second factor was the election of a hard-line Islamic leader, Mahmud Ahmadinezhad, as President of Iran, who not only contemptuously rejected the EU-3 plan presented in August 2005, but, by threatening to wipe Israel off the face of the map and asserting that the Holocaust was a "myth," raised serious questions about what Iranian leaders proclaimed were the "peaceful" intentions of their nuclear program. The end result was an IAEA Board of Governors statement in September 2005 that threatened Iran with the possibility of sanctions, a statement on which Russia abstained.

While Russia was able to defer a possible sanctions effort against Iran at the November 2005 IAEA meeting by negotiating a compromise offer to Iran with the EU-3—supported by the United States—which allowed Tehran to have its fuel enriched in Russia in return for abandoning its plans for a full nuclear cycle, Iran has refused to accept the offer, and should it not do so, perhaps counting on a U.S. unwillingness to use military force against Iran at a time of record high oil prices, or hoping for a Russian (or Chinese) veto of a UN Security Council sanctions resolution, Russia will

be hard put to decide what to do. While it had sought to put that day of decision off as long as possible, the time may be coming sooner rather than later when Moscow will have to choose between Iran and the West. Indeed, Moscow's behavior before and during the UN Security Council's debate on Iran in March 2006 — criticizing Iran but opposing sanctions would appear to demonstrate that Moscow, while trying to put off a decision as long as possible, has now tilted to Iran. Exacerbating the situation has been Iran's mid-April 2006 announcement that it is now a nuclear power because it successfully enriched uranium by means of a centrifuge cascade, and its prohibition on the IAEA from making surprise inspections, thus breaking a series of agreements it had made with the EU-3, which Russia had supported.

If one looks at Russia's behavior from the time it finally agreed to provide nuclear fuel to the Bushehr reactor in February 2005 through its opposing sanctions when Iran broke its agreement with the EU-3 in August 2005, and later resumed nuclear enrichment, along with Moscow's decision to supply sophisticated surface-to-air missiles to protect Iran's nuclear installations in November 2005, it would appear that Moscow, despite its rhetoric, has decided to acquiesce in Iran's nuclear program, most probably because of Putin's policy of enhancing Russian prestige in the Middle East and elsewhere in the world, at the expense of the United States. Russia's policy, however, of dragging out negotiations as long as possible, while protecting Iran from sanctions, contains both benefits and risks for Moscow. On the benefit side, it certainly strengthens Moscow's relations with Iran, while at the same time, by keeping oil prices high, it clearly helps the Russian economy. On the negative side, the policy carries a number of risks for Putin. First, Iran's new

President is an Islamic “true-believer.” Unlike his predecessors, who were willing to tolerate Russian policy in Chechnya where Russian soldiers have killed thousands of Muslim Chechens, Ahmadinizhad may one day decide that his Islamic beliefs obligate him to confront Russia on this issue. Were Iran to be armed with nuclear weapons during this confrontation, Moscow may wish it had supported sanctions against Iran when it had the opportunity. Second, and a more immediate concern for Moscow, is that, as Iran draws closer to a nuclear weapons capability, the possibility of a U.S. (or Israeli) strike on Iran’s nuclear facilities increases. Moscow, therefore, soon may be faced with the choice of agreeing to limited sanctions or acquiescing in another U.S. attack on one of its allies. Whether Putin would be able to finesse such a choice is a very open question.

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